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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 001539

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TAGS: [PREL](#) [ECON](#) [EAIR](#) [EWWT](#) [PGOV](#) [TW](#) [CH](#)
SUBJECT: MAC CHAIR LAI SHIN-YUAN PREVIEWS UPCOMING
CROSS-STRAIT TALKS IN TAIPEI

REF: A. TAIPEI 1508
[1](#)B. TAIPEI 1484
[1](#)C. TAIPEI 1496
[1](#)D. TAIPEI 1520

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Classified By: AIT Director Stephen M. Young,
Reasons: 1.4 (b/d)

[1](#)1. (C) Summary. On October 29, AIT Director Young met with the chairwoman of Taiwan's Mainland Affairs Council (MAC), Lai Shin-yuan for a preview of the agenda and substance of the November 3-7 talks between the Straits Exchange Foundation (SEF) and China's Association for Relations Across the Taiwan Strait (ARATS). Lai outlined the four agreements that will be signed during the talks: on air transport, maritime cargo, direct postal service and food safety. ARATS Chairman Chen Yunlin will probably meet with President Ma Ying-jeou, although the two sides have not reached agreement on how Chen will address Ma. Chen will also meet with Lai, attend a breakfast hosted by LY Speaker Wang Jin-pyng and a dinner hosted by KMT Honorary Chairman Lien Chan. Except for an opening night dinner atop Taipei 101 hosted by SEF Chairman P.K. Chiang, the dinner with Lien, the meeting with Ma and a probable short visit to the National Palace Museum, Chen and the ARATS delegation of 75 officials will remain for most of the time in the Grand Hotel, where the meetings will take place. Lai said the Ma administration expects protests by the DPP, but security will be tight. End Summary.

Overview of the SEF-ARATS Talks

[1](#)2. (C) On October 29, the Director, accompanied by poloff and econoff, met with Mainland Affairs Council (MAC) Chairwoman Lai Shin-yuan for a preview of the upcoming talks between Straits Exchange Foundation (SEF) Chairman P.K. Chiang (Chiang Ping-kun) PRC Association for Relations Across the Taiwan Strait (ARATS) Chairman Chen Yunlin. Lai was accompanied by MAC Vice Chairman Fu Don-cheng, Director of Planning James Chu (Chu Shi) and Research and Planning Section Chief Aileen Hu (Hu Ai-ling), all three of whom recently returned from the SEF-ARATS preparatory meetings in Shenzhen. Lai and staff previewed the agenda for the

November 3-7 visit, outlined the four agreements that will be signed, and commented on the political environment surrounding the talks, including expected protests by the DPP. Lai assured the Director that security for the talks, in particular for ARATS Chairman Chen Yunlin, will be very tight.

13. (C) According to Lai, Chen will lead a delegation of 75 Mainland officials, accompanied by about 20 journalists. The group will fly from Beijing to Taipei's Taoyuan international airport on a specially chartered plane, arriving around noon on Monday, November 3. Song Shan airport in Taipei is too small to accommodate Chen's plan. MAC officials told the Director both Chen's arrival and his departure Friday morning, November 7, will be low-key. The delegation will proceed directly to the Grand Hotel, where they will be staying and where the talks and two planned press conferences will take place.

14. (C) The first two days of Chen's visit (Monday and Tuesday) will be devoted to meetings, and MAC expects Chen and Chiang will sign four agreements on Tuesday afternoon. SEF and ARATS will each hold two separate press conferences, one set on Tuesday morning and the other set following the signing of the agreements on Tuesday afternoon. MAC's Fu told poloff that they expect about 700 journalists (Taiwan, PRC, and international) to cover the talks. Following the conclusion of the SEF-ARATS talks, over the next two days (Wednesday and Thursday) Chen and his delegation will participate in seminars on financial issues and the current business environment and shipping, in which Taiwan businessmen and economic experts will participate. A number of leading PRC banking figures will join the seminar on financial issues, which could foreshadow an agreement to open

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up banking opportunities between the two sides next year.

Four Agreements

15. (C) Lai told the Director the four agreements that Chen and Chiang will sign will cover air transport, maritime cargo, direct postal service and food safety. Certain technical issues in all these areas remain to be worked out, according to Lai. MAC officials are optimistic that this can be accomplished before and during the two days of talks in Taipei. Lai explained that several ARATS officials will be arriving this week to iron out some final details. She noted that the agreements on air transport and sea cargo will require the LY's approval, whereas the other two will only require notification to the LY.

16. (C) The agreement on air transport will expand the current regime of weekend charter flights to daily charter (but not scheduled) flights and increase the number of destinations in China. Both sides will agree to new civil aviation routes between Taipei and Beijing, Shanghai and Guangzhou. According to Lai, Taiwan's Ministry of National Defense has approved the routes Taiwan proposes. The agreement will also establish air cargo flights. According to MAC Vice Chair Fu, there will be two daily round-trip cargo flights between Taipei and Shanghai and Guangzhou. Fu said China still opposes allowing passenger charter flights to carry cargo.

17. (C) The agreement on maritime cargo will allow direct shipping between China's ports and Taiwan's ports. The primary outstanding issue, according to Fu, is whether ships registered under flags of convenience (FOC) will be allowed to carry cross-Strait cargo. Taiwan is pushing for allowing FOC ships to participate in the trade (Ref A).

18. (C) Lai said the agreement on direct postal service will entail both letters and parcels and include express delivery service. Mail will no longer have to enter China through

Hong Kong.

¶9. (C) On food safety, a highly sensitive issue in Taiwan, Lai stressed that an agreement would be signed. This could represent a softening of Beijing's position on food safety issues in the wake of the melamine uproar (Ref B). Lai said, based on the recent meetings in Shenzhen, MAC anticipates that Chen will make some gesture of apology to the Taiwan people, but the form of that gesture remains unclear. The agreement on food safety will establish a mechanism for information exchange and a procedure to deal with special cases like the recent melamine contamination, including areas such as dispute resolution and compensation, according to Fu.

Meetings and Other Events

¶10. (C) As of today, Lai said, MAC anticipates Chen will meet with President Ma Ying-jeou, although both sides are still trying to reach agreement on how Chen will address Ma. Lai said Ma told her that if the issue cannot be resolved satisfactorily, he will not meet Chen. If it occurs, the Ma-Chen meeting would take place on the next to last day of Chen visit, Thursday, November 6, at the Taipei Guest House. (Note: Ma confidante Taichung Mayor Jason Hu, told the Director separately that if Chen cannot address Ma as "president", the meeting will be canceled. End Note.)

¶11. (C) Chen will participate in a breakfast hosted by LY Speaker Wang Jin-pyng at the Grand Hotel and a dinner hosted by KMT Honorary Chairman Lien Chan. On the night of the delegation's arrival, SEF Chair P.K. Chiang will host a welcome dinner on the observation story of the Taipei 101 building. (Note: We understand KMT Chairman Wu Poh-hsiung may also be involved in the dinner on Monday. End Note.) Chen may pay a short visit to the National Palace Museum. When asked by the Director if Chen would travel outside

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Taipei, Lai was noncommittal, saying only that if he did it would "not be far." Lai also noted there will be an announcement during the visit regarding the PRC's gift of two pandas to Taiwan (and Taiwan's reciprocal gift of two Formosa serow to China), with the pandas themselves expected to arrive in a couple of months. (Note: The press also report Chen will meet with the widow of the late Koo Chen-fu, who was the first chairman of SEF. End Note.) Except for a few outside events, other activities will all take place at the Grand Hotel for the sake of security.

Expected DPP Protests

¶12. (C) The Director asked what MAC anticipates in the way of protests by the DPP or other organizations. Lai did not provide any specific details, saying only that protests are expected but she was confident security measures, particularly regarding Chen's personal safety, will be tight.

¶13. (C) Commenting on the large-scale protest orchestrated by the DPP on Oct. 25, Lai noted the demonstration had been peaceful and observed that peaceful protest demonstrations are good for the growth of Taiwan's democracy. The Director noted DPP leaders had expressed frustration that their plans to stage protests during Chen's visit were being stymied by KMT administration. Lai responded that protests would be allowed as long as they are peaceful.

U.S. Position?

¶14. (C) Lai inquired how the U.S. would react to the upcoming talks. The Director said the U.S. government has stated its

support for improvements in cross-Strait economic relations, and that position has not changed. Lai expressed hope that the USG would consider issuing a positively-worded statement or press guidance about the November 3-7 talks during Chen's visit.

Comment

¶15. (C) Chen Yunlin's visit will take place amidst extraordinary security precautions, including the deployment of 7,000 police and the decision to hold most of the events at the off-street Grand Hotel. The security precautions reflect concerns raised by an incident in Tainan on October 21 in which DPP protesters scuffled with ARATS Vice Chairman Zhang Mingqing (Ref. C) and the large scale of the DPP's protest demonstration on October 25 (Ref. D). To blunt expected opposition protests against Chen's visit, the KMT administration will highlight the benefits to Taiwan of the four agreements to be signed by SEF and ARATS. They will also hope Chen Yunlin will "apologize" for the tainted milk powder incident, will use a respectful title in addressing President Ma, and will refrain from any rhetoric on sensitive political issues.
SYOUNG